

MINUTES OF THE
JOINT HEALTH AND HUMAN SERVICES APPROPRIATIONS SUBCOMMITTEE
WEDNESDAY, JANUARY 27, 2009, 2:00 P.M.
Room 30, House Building, State Capitol Complex

Members Present: Sen. Allen M. Christensen, Co Chair
Rep. John Dougall, Co Chair
Sen. Patricia W. Jones
Sen. Daniel R. Liljenquist
Rep. Kraig Powell
Rep. Rebecca Chavez-Houck
Rep. Ben C. Ferry
Rep. Paul Ray
Rep. David Litvack
Rep. Ronda Rudd Menlove

Members Excused: Rep. Keith Grover
Sen. Margaret Dayton

Staff Present: Russell Frandsen, Fiscal Analyst
Ernest Hayes, Secretary

Public Speakers Present: Dr. David. N. Sundwall, Executive Director, Utah Department of Health
Michael Hales, Deputy Director, Utah Department of Health
Jason J. Horgesheimer, President of Utah Academy of Pediatric Dentists
Renn Veater, Pediatric Dentist, Utah Academy of Pediatric Dentists
Nate Checketts, Assistant Division Director, Utah Department of Health

A list of visitors and a copy of handouts are filed with the committee minutes.

1. Call to order

The meeting was called to order by Co-Chair Rep. John Dougall at 2:25 p.m.

2. Base Budget Bill

Russell Frandsen spoke about the base budget bill. He referred to handouts in the binder. Mr. Frandsen explained what the base budget bill is. He stated that there is a base budget bill with a 2% reduction in it to balance expenditures and the end goal is to reach 5% reductions from each subcommittee.

3. FY 2011 5% Reduction Discussion and Update

Mr. Frandsen spoke about FY 2011 Reductions. He referred three handouts in the binder: reductions already realized, base budget recommendations (revised) and optional reductions. He stated that he would explain the changes in base budget recommendations. He explained that staff proposals for Human Services in 2011 has not changed.

4. Potential Impact on Utah of federal health reform legislation

Dr. David Sundwall, Executive Director of Utah Department of Health, commended the Governor's state of the state address and his comments with respect to Utah's desire to reduce Federal government involvement in state business and to resist major health reforms.

Michael Hales, Deputy Director of Utah Department of Health, explained Medicaid and the coverage increase in relation to the general fund if federal legislation is passed. He explained that the total state general fund appropriation for Medicaid is about \$500 million across all state agencies, which is over a 20% expansion in state general fund obligations over the next 10 years. This represents a substantial increase in coverage and enrollees. He stated the House's bill is more aggressive in going up to 150% of the poverty level.

Sen. Jones asked for data to help forecast the future in health care. Mr. Hales stated that the primary goal of reform is coverage and access to care. He said that expansion is difficult. Sen. Jones asked for Mr. Hales' recommendations for the Medicaid program. He stated that with the current expansion there is less flexibility and more cost sharing, but not much relief there. It comes down to constraining payments or services. He told the committee that there isn't a mechanism to guide clients into specific coverage plans that save, unless there is an expansion waiver. He said that there is a need for payment reforms and a need to move away from the fee for services mentality and to move into managed care program models.

Dr. Sundwall spoke about the two federal health care bills and the need to emphasize preventative services and health promotion.

MOTION: Sen. Christensen moved to approve the minutes from January 12, 2010.

The motion passed with Sen. Dayton, Rep. Grover, and Rep. Powell absent from the vote.

Sen. Liljenquist asked about federal healthcare legislation with respect to it's shifting a burden on the state and if there were any provisions to prevent that. Mr. Hales said no and that there are many people coming into the plan. He commented on CHIP and how some people could not qualify for CHIP. He said that Medicaid would pay third party costs for the insured if clients kept their private insurance but not many people would want to keep paying monthly premiums. Dr. Sundwall indicated that the legislation would not kick in until 2014 if it were to pass.

5. S.B. 87 Follow Up

Mr. Frandsen referred to the documents in the binder and spoke about S.B. 87, preferred drug list savings. He explained where the savings came from. He stated that S.B. 87 made it so physicians have to obtain prior authorization to receive a non-preferred drug. He explained that S.B. 87 has achieved health care savings since it's inception. Mr. Frandsen stated that for FY 2010, the estimated savings are \$98,300.

6. Health Care Financing

Mr. Frandsen spoke about the health care financing budget brief. He referred to the health care financing handout and went over the various sections and figures. He talked about the premium partnership for health insurance. Mr. Frandsen also spoke about some tables that offer a snapshot of Medicaid expenditures and shows what percentage of our clients are generating what percentage of the expenditures.

Rep. Menlove asked a question about what types of services are being offered to the 1% that are consuming a large amount of Medicaid funds. Mr. Hales stated that these are usually catastrophic hospitalizations and spend down clients. He stated that there are also institutionalization costs. Mr. Hales also explained how Medicaid calculated eligibility based on income.

Rep. Litvack asked Mr. Hales whether the eligibility on a monthly basis is required by federal law. Mr. Hales stated that the department does not force everybody to come in and re-evaluate their eligibility, but rather asks clients that if there has been a major change, that they come in and re-evaluate eligibility. Rep. Litvack asked how the major expenditure cases are managed. Mr. Hales answered that cases are managed through identification of abuse and targeted interventions. He also stated that in comparison with other health care programs, Medicaid has enrolled large populations of individuals with disabilities and elderly clients, which are higher cost populations.

In response to a question from Rep. Dougall, Mr. Hales stated that in order to manage clients with chronic conditions, an increase in the department's administrative budget would be required.

7. Medicaid Mandatory Services

Mr. Frandsen addressed the committee on Medicaid Mandatory Services. He explained that Medicaid Mandatory Services are federally mandated requirements of what is mandatory and what is optional. He explained sub-populations that require special treatment. He referred to the Mandatory Services handout. He spoke about the handout which refers to utilization growth.

Rep. Litvack asked the department about an increase in population and what can be expected with time in terms of enrollment. Mr. Hales responded and referred to an enrollment handout. He stated how Medicaid enrollment shifts with changes in the economy. Mr. Hales explained that most of the current growth in enrollment currently comes from children and the parents of those children. People with disabilities and the elderly, tend to be the more stable population less impacted by economic fluctuations.

8. Medicaid Optional Services

Mr. Frandsen began a presentation on Medicaid Optional Services and referred to the handout on Medicaid Optional Services. He went over the main points of the brief and solicited questions from the committee. He stated that the Medicaid program ended FY 2009 with a \$7.7 million General Fund or a 2.6% surplus in state funds for Medicaid Services. The department indicated that this amount will be used to offset the funds requested for caseload growth. He stated that from June 2008 to June 2009 there has been a 19% growth in caseloads and that the case load mix is less expensive. He went over building block requests in various areas such as physical and occupational therapy.

Dr. Sundwall reminded the committee that the department supports the Governor's budget. He stated that the 4% cuts for FY 2010 would carry over into FY 2011. He stated that he appreciates the work that has been done between the legislature and the department in an effort to achieve healthcare savings. He mentioned the benefits to having authorized the all-payer database. He stated that he thought of Medicaid as a health improvement program.

Mr. Hales then commented on specific building blocks for FY 2010 and FY 2011. He said that the strategy last fiscal year was to make a \$3 million down payment towards caseload growth and that the department needs about \$17 million of one time general fund money to get through the current fiscal year's caseload increases, which is in the governor's budget recommendations.

Dr. Sundwall added that he hopes the money recuperated from drug companies would come back to Medicaid. Rep. Menlove spoke about reductions in higher education budgets and asked whether or not health care reductions was an artifact of the federal government's mandates. Mr. Hales explained Medicaid reductions and federal stimulus money. He stated that provider reimbursement efficiency is important. Rep. Menlove asked whether or not the department had considered furloughs and Mr. Hales responded that they have and are implementing furloughs to achieve savings but that the real savings come from services.

Rep. Dougall asked what percentage of the healthcare market in Utah does Medicaid pay. Mr. Hales responded that it represents about 7% - 10% of the total market in terms of overall enrollment, but that in different areas there is disproportionate enrollment. He commented that Medicaid pays about 1/3 of the deliveries in the state. Mr. Hales stated that the governor is recommending a continuation of physical therapy and occupational therapy as an optional service into FY 2011.

Sen. Jones asked the department about Medicaid births. Mr. Hales responded that Medicaid offers a lump sum payment of about \$5,000 which amounts to about \$80 million for 16,000 births. Mr. Hales commented on a family planning waiver which would extend Medicaid coverage into a higher income level. He also explained a spend down program which allows some clients to become Medicaid eligible for their deliveries. Dr. Sundwall added that the eligibility requirement was not set at the Federal level but rather is meant to maintain what has been set by the state. Sen. Jones requested to the chair that the issue of Medicaid birth be looked into in further detail.

Rep. Menlove asked what percentage of the deliveries that Medicaid pays for are students. Mr. Hales responded that educational status is not asked of Medicaid recipients. He added that geographic information is gathered. Rep. Menlove asked whether students could qualify for student insurance. Mr. Hales stated that because of Federal regulations, anyone can still qualify for Medicaid even if they have other insurance and Medicaid would pay the balance.

Rep. Dougall asked Mr. Hales about reimbursement issues for student insurance and Mr. Hales responded that there is no obligation to reimburse after graduation.

Rep. Chavez-Houck asked about sterilization techniques and Medicaid coverage. Mr. Hales responded that sterilization is available for those categorically eligible for Medicaid. He stated that in general those populations don't qualify for Medicaid until they have a dependent child and then they are categorically eligible for those program. He added that the federal match for family planning services is 90% and that the incentives are inclined to give greater coverage in those areas.

9. Federal Disallowances

Mr. Frandsen referred to the Federal Disallowances handout and explained that a Federal Disallowance occurs when the Medicaid funds have been determined to have been inappropriately used and the federal government takes back its money. He commented that this has happened a total of 8 times in the last 4 years in the state of Utah for a total payback to the federal government of \$42 million. When compared to Medicaid expenditures, the disallowance payback represents less than 1%. He went over the various funds in the handout that pertain to Federal Disallowances. Rep. Litvack asked if there were any penalties associated with the disallowances. Mr. Frandsen stated that there were not.

10. Children's Health Insurance Program

Mr. Frandsen explained that for FY 2011, the recommended base budget is a little under \$79 million for the program. He explained how the CHIP program is delivered. PEHP accounts for about 60% of CHIP, and Molina accounts for the other 40%. He went over expenditures and caseloads associated with the programs.

Sen. Christensen asked about a 2009 \$1.9 million amount in the brief and whether they were non-lapsing or one time funds. Mr. Frandsen clarified that they were non-lapsing funds.

Rep. Litvack asked Nate Checketts, from the Utah Department of Health, about certain clients with expenditures over \$200,000. Mr. Checketts stated that some of the more expensive clients are organ transplant recipients, especially multi-organ transplants, and also hemophiliacs.

Rep. Ferry asked what the percentage of growth of applicants would be. Mr. Checketts responded that in FY 2008, the growth was 24% and in FY 2009 it was 15%. Rep. Ferry asked about advertising and whether there is a need to advertise. Mr. Checketts stated that media budgets had been removed and the last purchase of ads occurred in 2008 or 2009.

11. Medicaid Providers: A Snapshot

Mr. Frandsen began a presentation on Medicaid Providers and reviewed charts in the Medicaid Provider's handout. He stated that last year, for FY 2009, there were about 3,300 medical clinics or physicians that helped with at least one Medicaid claim. Of those 3,300, 27% saw at least one Medicaid client per week. He explained how provider data has changed over time.

Mr. Frandsen explained that in FY 2009, 620 dentists helped with at least one of 106,000 Medicaid claims. Of those 620 providers, 42% saw at least one Medicaid client per week, or 52 per year. He also stated that in FY 2008, this same percentage was 42%. In FY 2010, the percentage has thus far been 46%. He further explained provider data for dental providers and how this data has changed over time.

Rep. Litvack posed a question about claims data and the number of clients that are unable to see a provider. Mr. Frandsen stated that this data does not show those numbers.

Dr. Sundwall spoke about how the system takes care of the under served and a safety net providers conference he convened. He said that the number and variety of providers that are willing to take care of the uninsured or under insured is very rich and diverse. He commented that the majority of safety net clinics that do this are federally funded. Rep. Litvack stated that he was very intrigued by the safety net provider concept and the idea of a medical home. Dr. Sundwall stated that most of these safety net clinics try and behave under the model of the federally-qualified health clinics, or medical homes, by providing comprehensive continuous care over time with a single provider ideally. He said that this model is also duplicated at our state health clinics. Mr. Hales said that we need to look at our reimbursement rates to get to the medical home model. He stated that the Medicaid system currently doesn't reimburse providers enough for there to be an incentive to provide medical home type care.

12. Medicaid Dental Providers

Dr. Jason Horgesheimer, President of the Utah Academy of Pediatric Dentists, gave a presentation on pediatric dentistry and Medicaid coverage. He spoke about how rate cuts have affected pediatric dentistry. Dr. Horgesheimer also explained the types of cases he sees on a daily basis, and the impact that good dental care has on the lives of children. He stated that a huge portion of what he does is educate parents and children on proper dental care.

Rep. Chavez-Houck asked about whether there is any data to correlate reimbursement with better dental health. Dr. Horgesheimer said that there is a definite correlation between reimbursement rates and providing access to care. He stated that if reimbursement rates are at a reasonable level, there will be providers to continue treating children. He stated that he did not know whether that issue had anything to do with decay rates in Utah. Renn Veater, Pediatric Dentist, Utah Academy of Pediatric Dentists, commented on how the medical field is getting better at integrating the care from both dentists and physicians.

Sen. Jones spoke about the importance of oral health and thanked the dentists for their input. She stated that she was on the board of the Regents Caring Foundation for Children and that she is running a resolution this year that would give some information about the importance of oral health.

Mr. Hales spoke about education and preventative health measures from the department. Rep. Dougall asked whether or not the department's data systems track or monitor preventative care. Mr. Hales said that yes they do, but that it is an area of budget reduction.

MOTION: Rep. Litvack moved to adjourn the meeting.

The motion passed with Rep. Grover, Rep. Menlove, Rep. Ferry, and Sen. Liljenquist absent from the vote.

Co-Chair Rep. Dougall adjourned the meeting at 5:00 p.m.

Minutes recorded by Ernest Hayes, Secretary

Sen. Allen Christensen, Committee Co-Chair

Rep. John Dougall, Committee Co-Chair